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C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 000849

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STATE FOR NEA, NEA/ARPI, EB/TPP/BTA, NEA/RA
STATE PASS USTR FOR AUSTR DONNELLY
COMMERCE FOR U/S MCCORMICK

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TAGS: [KBCT](#) [KMPI](#) [ETRD](#) [IS](#) [AE](#)

SUBJECT: SHEIKHA LUBNA ON PRIMARY BOYCOT AND FTA ISSUES

REF: ABU DHABI 730

Classified By: Ambassador Michele J. Sison for reasons 1.4 (b and d).

11. (U) This is an action request. Please see para 8.

12. (C) Summary: On March 5, in response to a question from CNN's Wolf Blitzer, Minister of Economy Sheikha Lubna Al-Qasimi agreed that the UAE would lift its Arab League primary boycott of Israel if the UAE had an FTA with the U.S.. It is unclear whether she exceeded her "talking points." In fact, this statement would be a significant advance on what she told USDOC U/S McCormick and Ambassador in a earlier joint Foreign Minister/Economic Minister meeting with BIS U/S McCormick, where she only committed to resolving remaining problems with the secondary and tertiary aspects of the boycott. Also on March 6, Ministry of Economy A/US for International Cooperation sent DoC/BIS draft boycott language in an effort to comply with U.S. anti-boycott regulations. Sheikha Lubna explained that the current DP World controversy only reinforced the UAE's concerns about dispute settlement provisions in the FTA, the need to receive assurances about security of assets, and the need to protect natural resources. End summary.

13. (U) During a March 5 CNN news "Late Edition" interview with MinEcon Sheikha Lubna Al-Qasimi on DP World's purchase of P&O's U.S. operation, Wolf Blitzer asked about the UAE's adherence 4QQD boycott, which affect U.S. companies, and noted that the UAE does not implement this aspect of the boycott. In regard to the primary boycott (i.e., trade with Israel) she added "in the framework of the FTA at the moment, basically part of the process is actually lifting the ban." Blitzer asked whether the UAE would eliminate the boycott of Israel if it had an FTA with the U.S. Sheikha Lubna replied "Absolutely, yes."

14. (U) Blitzer recounted his interview with DP World CEO Mohamed Sharaf, who stated that DP World was dealing with Israeli companies and that ZIM, the largest Israeli shipping company, called at Dubai and other DP World managed ports. Blitzer asked, therefore, why the UAE didn't lift the boycott immediately, since DP World was already trading with Israel. Sheikha Lubna responded that lifting the boycott was a "process" the UAE needed to go through.

15. (SBU) Earlier that day, in response to BIS Under Secretary David McCormick's urging to eliminate remaining secondary and tertiary boycott requests, Sheikha Lubna said that the UAE's goal was to resolve these remaining problems. MinEcon A/US for International Cooperation Abdullah Al-Saleh said that after the February 18 DOC/State anti-boycott visit, the

Ministry had prepared draft language that it believed would meet both U.S. and UAE regulations, and he was preparing to send this language to the USG for comment. U/S McCormick offered continued technical assistance to assist the UAE in complying with the U.S. anti-boycott regulations. (Note: Later that day, Al-Saleh sent a copy of the UAEG's proposed draft language to DoC/BIS, Econchief, and NEA/RA, with a request that the language be reviewed. If the language complies with U.S. regulations, the UAEG will begin implementing it immediately. Econchief has forwarded the e-mail to Desk and USTR. End Note.)

¶6. (C) After UAE Foreign Minister Sheikh Abdullah bin Zayed Al-Nahyan (AbZ) joined the meeting with U/S McCormick, Sheikha Lubna explained that, in response to the DP World/P&O controversy, the UAE private sector was questioning the UAE's decision to negotiate an FTA with the United States. She claimed they are questioning why the UAE should open up its markets, since the UAE's investments in the U.S. may be blocked. She noted that a U.S. company (Eller and Company) had already filed suit to block DP World's purchase of P&O and noted that the DP World controversy only reinforced the UAE's concerns about "dispute settlement" provisions in the FTA and desire for a "comfort letter" on security of assets. She stated that the UAE was waiting for USTR to present it with a "promised" OFAC comfort letter on security of assets and needed to receive the letter before the March 13 start of the 5th round. Lubna also said that the UAE was not getting "the right message" from USTR, especially on the UAE's critical concern about natural resources. She said that she understood the U.S. Congressional argument about protecting a sensitive national security asset (ports), because it was the

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same argument that the UAE was using to protect natural resources. She worried, however, that proposed legislation restricting investment could discourage foreign direct investment in the U.S. by raising barriers to entry.

¶7. (C) Comment: Sheikha Lubna's statement to CNN--that appears to commit to eliminate the primary boycott of Israel in the context of a U.S.-UAE FTA--represents a significant step forward from previous UAE commitments. Her comments were in response to Blitzer's question, and it is unclear whether she exceeded her mandate or has the approval of the UAE's leadership to lift the primary boycott (if there is an FTA). Her ministry's efforts to ensure that the UAEG's boycott language (on the secondary and tertiary boycott) comply with U.S. regulations does reflect UAEG policy. The Commerce/State team met with Al-Saleh on February 18 to discuss language that the legal requirements of both the UAE and the U.S. (reftel). The DP World controversy has strengthened the UAEG's concerns about security of assets, protecting oil/gas, and dispute settlement provisions. End Comment.

¶8. (SBU) Action Request. Post has contacted USTR to try and facilitate getting the OFAC comfort letter to the UAE before the March 13 start of the next round of negotiations. Please follow up with USTR and -- if necessary -- OFAC on this issue. End Action request.
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